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DIRECTORATE OF
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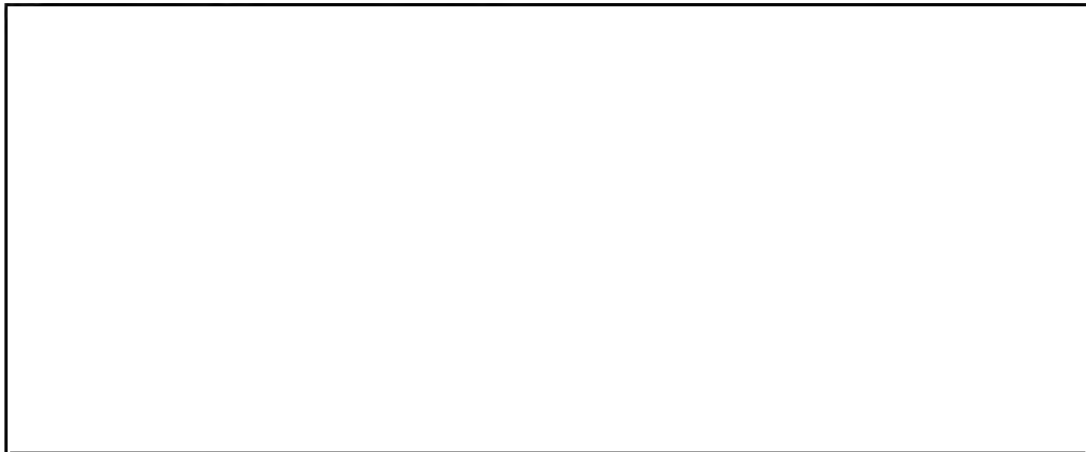
Cambodia: Communist forces still have not been dislodged from Kirirom.

Enemy troops evidently were tenaciously holding on to their positions on the plateau in the center of the resort town, as the fighting there entered its fifth day. Yesterday, however, two government relief battalions gained a foothold on the plateau, despite intensive Communist mortar fire. Phnom Penh has sent a fifth battalion of reinforcements to join in the effort to retake the town.

No other significant Communist actions were reported, but a number of skirmishes occurred in widely scattered areas.

In the Countryside

The US Embassy reports that 1,000 Vietnamese villagers from the west bank of the Tonle Sap Lake in Pursat Province have turned themselves over to government authorities near Kompong Thom, after they refused to join the Communists. Cambodian officials on the scene have requested that Phnom Penh evacuate the villagers to the capital. The sizable Vietnamese community in the Tonle Sap area is a source of potential manpower to the Communists, but this development indicates they are having some trouble working with these people.



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North Vietnam: Recent press accounts evidently have exaggerated Hanoi's interest in meaningful negotiations with the US at this time.

The press accounts claim that Soviet Deputy Foreign Minister Firyubin told Indian officials that the North Vietnamese were interested in a Geneva-type conference. Hanoi radio has denied these reports, and official contacts of the US Embassy in New Delhi, indicate that Firyubin merely reiterated the standard Communist position that, if the US committed itself to withdraw from Indochina on a given timetable, Hanoi might relax its opposition to a conference. Firyubin's comments in fact tend to confirm other indications that unless the US makes substantial concessions, Hanoi is not interested at the moment in opening any new talks with Washington.



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South Vietnam: The newly announced line-up of candidates for the Senate indicates that the government is likely to do fairly well in the elections on 30 August.

With 30 of the 60 Senate seats up for election, 18 slates of 10 candidates each have filed to run. Under the South Vietnamese constitutional system, candidates do not run as individuals, and the 30 candidates belonging to the three lists getting the most votes will win seats.

The slate with the strongest chance for election appears to be the one headed by the present chairman of the Upper House, Nguyen Van Huyen, and including former prime minister Tran Van Huong. Although these men and their associates are not controlled by the government, President Thieu respects them as responsible independents and would welcome their election. Another strong slate, more closely tied to the government, is headed by Senator Huynh Van Cao and is being backed by the Vietnamese Confederation of Labor.

Of the 18 slates, four are unambiguously oppositionist. The strongest of these is headed by Vu Van Mau and is backed by a relatively moderate group within the militant An Quang Buddhist faction. Senator Don, who once aspired to become the chief spokesman of the opposition, has withdrawn from the race, and this will probably be interpreted as an indication of government power.

The personal prestige of the candidates is often of significantly greater importance than the issues in attracting votes in South Vietnamese elections, and an initial reading suggests that government-supported slates indeed will do well. Many local government officials, particularly at the district level, are also likely to have an appreciable progovernment influence among villagers going

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to the polls even without resorting to ballot box stuffing.

A number of slates have included candidates from many major voting groups in an effort to broaden their appeal. This will tend to divide the support for some of the more prestigious candidates and makes the outcome of the election somewhat uncertain.



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UN - South Africa: An early meeting of the Security Council on the imbroglio over arms sales to South Africa is in prospect.

The Africans yesterday requested such a meeting, and preliminary soundings by the Nicaraguan representative, president of the Council during July, indicate that a session could be convened tomorrow afternoon. The request is formally based on the recommendation of the UN Apartheid Committee that the Council strengthen its 1963 resolution that called for an embargo on arms sales and shipments to South Africa.

The Africans have focused increasing attention since early this year on arms shipments to South Africa. The appeal to the Security Council is clearly designed to head off London's proposal to reverse the Labor government's compliance with the embargo. However, the decision to request an immediate Council meeting reportedly was not reached easily at an African caucus on Monday. Most French-speaking African members preferred to delay until the British make a firm statement on their policy.

British and Finnish delegates believe that the Africans, at least for now, would settle for a Council resolution reaffirming the 1963 statements without citing any specific UN member as a supplier. If this tactic fails, however, the Africans may then push for a resolution condemning the UK.

The raucous atmosphere prevailing in New York as the World Youth Assembly moves toward its conclusion on Saturday is hardly a favorable one for a Council meeting on the South African issue. The English-speaking African representatives at the UN want to link the two meetings, hoping to put added pressure on the UK. The British delegation has asked the US to help delay the Council session until after the government announces its policy in the House of Commons early next week. [REDACTED]

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Finland: A new cabinet under Prime Minister Ahti Karjalainen was finally installed yesterday, ending four months of interparty wrangling and clearing the way for President Kekkonen's visits to Moscow and Washington.

A major obstacle to the replacement of the previous stopgap, nonpartisan cabinet was removed last week when Karjalainen's Center Party decided to continue its participation with the Social Democrats and Communists in another center-left coalition similar to those that have dominated Finnish politics since 1966. Many party members had opposed this course on grounds that cooperation with the leftist parties had caused the party's sharp losses in the elections last March. Strong pressure from Kekkonen, however, brought the dissidents to heel. The Liberal and Swedish Peoples' parties are also included in the government, leaving only the Conservative and Rural parties--the two big election gainers--in the opposition.

The new government is likely to follow lines set by earlier center-left governments. In foreign affairs, Karjalainen will adhere closely to Finland's well-established policy of neutrality and close relations with the USSR. He is also expected to hold to the traditional Finnish position of nonrecognition of divided states, although pressure from the left for recognizing North Vietnam and East Germany is expected to increase. Finnish endeavors on behalf of a conference on European security will continue.

There may be sharp differences over domestic economic policy as a result of the division of responsibilities between the Socialist and non-Socialist parties.

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Cuba - Latin America: Chile's recent re-establishment of commercial ties with Cuba has apparently prompted Uruguayan business interests to attempt similar sales.

On 2 July, Uruguayan rice producers held out the possibility of regularizing trade with Havana if the Cubans would purchase 40,000-60,000 tons of rice from Uruguay's burgeoning surplus. This amount would be about equal to Uruguay's total rice exports from July 1969 to March 1970. It would, if consummated, break the trade embargo between the two countries in effect since the 1964 OAS sanctions against Cuba. The Uruguayans are willing to send representatives to Havana to work out details of the deal.

Although some of Cuba's harshest propaganda has been directed against the Uruguayan Government, Havana may take advantage of the offer--if commercially satisfactory--because of its inherent political possibilities. Fidel Castro would find it hard to pass up an opportunity to undercut the OAS sanctions, particularly if the action would tempt other countries, such as Peru and Ecuador, to do the same.

The Cuban delegation now in Chile is negotiating for long-term contracts for agricultural supplies. In addition, a 9,400-ton Cuban merchant ship is scheduled to arrive in Chile late this month to load a partial shipment of foodstuffs. This will be the second Cuban ship to call at a Chilean port since trade ties were restored earlier this year.

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Chile: Marxist presidential candidate Salvador Allende promises that his government would join Fidel Castro to launch the "Latin American revolution."

In recent speeches Allende has also called "American imperialism" the one enemy of Latin America and said his government would respect the principle of nonintervention only to the extent that it judged other governments "reflect the will of the majority." He has also reiterated his promise to establish relations with all countries, specifically including Cuba, Communist China, East Germany, and North Vietnam.

As his fourth presidential campaign has gained momentum, Allende has made less effort to play down his Marxist views. In addition, he has moved from bland generalities to specifics with "forty measures" to be taken immediately by his government. These are bread and butter promises with much popular appeal.

Allende's opposition in the three-way presidential race is divided between a conservative and the leftist candidate of the Christian Democratic government. Allende may believe that a strong pitch to the leftist sentiments of Chileans, many of whom are dissatisfied with the present government, can provide him a winning edge with the voters on 4 September.

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Syria: Representatives of the Trans-Arabian pipeline (Tapline) and Syrian authorities apparently have been unable to agree on terms for an early re-opening.

Tapline normally carries about 500,000 barrels per day (bpd) of Saudi Arabian crude oil to ports in the Mediterranean. It has been shut down since early May when it was ruptured in Syria by a bulldozer, possibly by accident. Syria has prohibited repairs unless an advance payment of \$50 million is made and the company agrees to higher transit fees. A counteroffer of \$5 million has been rejected.

Despite the economic advantages that the use of Tapline would bring, the owners consider the Syrian demands to be "out of the ball park" and probably will not concede even though they plan to resume discussions. It is also unlikely that Syria will give much ground.

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Ghana: Accra's Western creditors have agreed on a proposal for medium-term debt payments over the next two years.

Relief would be given for one half of the principal and interest on medium-term debt that falls due between July 1970 and June 1972. Creditor countries, at their option, would provide refinancing at concessional interest rates or allow a 10-year deferment. Another conference is to be convened within two years to review Ghana's debt problem over a longer term.

The Ghanaian delegation to the debt relief talks in London apparently concluded that the proposal was the best it could negotiate at this time. Its leader, Finance Minister Mensah, promised to push for early approval of the accord by Accra. It remains to be seen, however, whether the Busia regime will accept the agreement; it may in fact react strongly against it. Mensah's friendly, low-key stance is in sharp contrast to the Ghanaian press, which has attacked the accord as a sellout to European interests. One paper has demanded that the government unilaterally declare a grace period of 10-15 years and that all foreign banks be nationalized in anticipation of any counteraction to the moratorium. [REDACTED]

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Ceylon: The new government has taken several steps to implement its leftist foreign policy.

This week the government officially announced its full diplomatic recognition of North Korea and North Vietnam; it accorded similar status to East Germany last month. Colombo has promised to recognize the Provisional Revolutionary Government of South Vietnam and "Foreign Minister" Madame Binh is scheduled to visit Ceylon later this month. Prime Minister Bandaranaike so far has given no indication of her intentions toward Sihanouk's Cambodian government-in-exile other than her promise not to recognize the Lon Nol government.

Ceylon last week formally requested the US to terminate its Peace Corps program on the island. A government press release on 14 July said the Asian Foundation should end its activities by 31 October. The government also has canceled a contract with the French Institute of Petroleum and announced it will seek help from socialist countries for joint oil prospecting.

Despite its leftist-oriented foreign policy, the new government still hopes for continued Western economic aid. The Prime Minister and her Trotskyite finance minister were cordial in meetings with the US ambassador earlier this month, and recognition of the three Communist nations and the termination of Western programs were not accompanied by vituperative denunciations of the West characteristic of the earlier Bandaranaike government of 1960 to 1965.

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USSR-Mauritius: On 14 July the two countries announced the broad outline of an agreement on fishing cooperation.

According to the joint communiqué, Mauritius will permit Soviet fishing vessels to use its harbor facilities under the same conditions as other countries. In addition, it has agreed in principle to give landing rights to Aeroflot, the Soviet airline, to permit the transfer of Soviet fishing crews to and from Mauritius. In return, the USSR will provide technical assistance for the development of Mauritian marine fisheries. The three-year arrangement may be terminated by either party on six months' notice.

In August 1969, Moscow sought similar privileges in return for a fishing trawler and assistance for the Mauritian fishing industry. Although the recent communiqué did not mention either the trawler or economic aid, earlier reports of the discussions indicated that Mauritius was seeking as much as \$5 million in credit for its fishing industry.

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Vietnam-Cambodia: The Communists may be planning a series of attacks to take place around 20 July, the anniversary of the signing of the Geneva accords. [REDACTED]

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Because few Communist main force units there are near prime targets, attacks that take place are likely to be made chiefly for their psychological impact. The evidence with regard to Cambodia is more tenuous, but Communist reconnaissance units in southeastern Cambodia have recently become active, and there have been some enemy troop movements in this area. The Communists may intend to carry out coordinated actions on both sides of the border.

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Yugoslavia: The government has announced provisional plans to invest the equivalent of \$240 million in 1971-75 in the economic development of Kosovo, Yugoslavia's most backward region. This is part of a government plan announced in April to accelerate development of all economically underdeveloped areas of the country. Kosovo is to get special attention because the area, which has experienced serious unrest, has the nation's lowest per capita income and suffers from chronic unemployment, especially among the large--and vocal--Albanian population. The new economic aid plan will increase annual government assistance to this area by approximately 17 percent above the level of 1968-69 and will contribute to the planned 14-percent annual increase in the gross product of Kosovo during 1971-75. [REDACTED]

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Netherlands Antilles: The coalition government of Minister-President Ernesto Petronia has failed in its efforts to include representatives of all political parties in the new cabinet. The governmental reorganization announced on 13 July was necessitated by the recent death of Labor Minister Amador Nita. Nita was the only leader of the leftist Workers Front Party who had been willing to serve in the government formed last December following elections in which no party received a majority. The Dutch islands have been peaceful since the riots of May 1969, and recent political developments do not appear to constitute a security threat.

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